

1                               BEFORE THE  
2                               ILLINOIS COMMERCE COMMISSION  
3

4           ILLINOIS POWER COMPANY           )  
  )   DOCKET NO.  
5    )   04-0476  
6           Proposed general increase       )  
          in natural gas rates.            )  
7           (Tariffs filed on June 25,       )  
  )   2004)

8                               January 21, 2005

9                               Springfield, Illinois

10                   Met, pursuant to notice, at 10:00 a.m.

11           BEFORE:

12                   MR. MICHAEL WALLACE, Administrative Law Judge

13           APPEARANCES:

14                   MR. OWEN MacBRIDE  
15                   6600 Sears Tower  
                  Chicago, Illinois 60606

16                               (Appearing on behalf of Illinois  
                                  Power Company)

17                   MS. JANIS VON QUALEN  
18                   527 East Capitol Ave.  
19                   Springfield, Illinois 62701

20                               (Appearing on behalf of Staff of the  
                                  Illinois Commerce Commission)

21                   SULLIVAN REPORTING CO., by  
22                   Carla Boehl, Reporter, CSR #084-002710

## APPEARANCES:

(CONT'D.)

MR. ERIC ROBERTSON  
LUEDERS, ROBERTSON & KONZEN  
1939 Delmar  
Granite City, Illinois 62040  
(Appearing on behalf of Illinois  
Industrial Energy Consumers)

MR. EDWARD FITZHENRY

1901 Chouteau Avenue

St. Louis, Missouri 63103

(Appearing on behalf of Central  
Illinois Public Service Company d/b/a  
AmerenCIPS and Central Illinois Light  
Company d/b/a AmerenCILCO)

MR. JOSEPH L. LAKSHMANAN  
2828 North Monroe  
Decatur, Illinois 62526

(Appearing on behalf of Dynegy, Inc.)

MR. DAVID I. FEIN  
550 West Washington Boulevard, Suite 300  
Chicago, Illinois 60661

(Appearing on behalf of Constellation  
NewEnergy Gas Division, LLC)

1		<u>INDEX</u>			
2	<u>WITNESSES</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
3	KAREN R. ALTHOFF				
4	By Mr. Fitzhenry	149		170	
5	By Mr. Robertson		154		172
6	By Judge Wallace		172		
7	DR. ALAN ROSENBERG				
8	By Mr. Robertson	174		214	
9	By Mr. MacBride		178		216
10	JOHN MALLINCKRODT				
11	By Mr. Robertson	219			
12	By Mr. MacBride		222		
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					

	<u>INDEX</u>		
	<u>EXHIBITS</u>	<u>MARKED</u>	<u>ADMITTED</u>
1			
2	IP 1.1 Rev, 1.2, 1.3, 1.4	e-Docket	241
3	IP 2.1, 2.2 Rev., 2.3 through 2.34,		
4	2.35 Rev., 2.36 through 2.51,		
	2.55 Rev., 2.56 Rev., 2.57 through		
	2.69	e-Docket	241
5	IP 3.1 through 3.23	e-Docket	241
	IP 4.1 through 4.7	e-Docket	241
6	IP 5.1 through 5.11	e-Docket	
	154		
7	IP 6.1 Rev., 6.2 Rev., 6.3, 6.4,		
	6.5, 6.6 Rev., 6.7, 6.8, 6.9	e-Docket	241
8	IP 9.1, 9.2, 9.3 Rev., 9.4, 9.5	e-Docket	241
	IP 10.1 through 10.7, 10.8 Rev.,		
9	10.9 through 10.12	e-Docket	241
	IP 11.1, 11.2, 11.3, 11.4	e-Docket	241
10	IP 12.1 through 12.11	e-Docket	241
	IP 13.1 Rev, 13.2 through 13.12	e-Docket	
11	241		
	IP 14.1 Rev, 14.2 through 14.6	e-Docket	
12	241		
	IP 15.1 through 15.5	e-Docket	241
13	IP 17.1 through 17.7	e-Docket	241
	IP 18.1 through 18.5	e-Docket	241
14	IP 19.1, 19.2, 19.3	e-Docket	241
	IP 20.1, 20.2	e-Docket	241
15			
	IP Cross 2	186	217
16			
	CNE-Gas 1, 2, 3, 4	e-Docket	210
17			
	BEAR 1, 2, Cross 1	e-Docket	211
18			
	ICC Staff 8.0	e-Docket	212
19	ICC Staff 17.0R	e-Docket	212
	ICC Staff 18.0	e-Docket	212
20			
	IIEC 1, 1.1	e-Docket	222
21	IIEC 2, 2.1	e-Docket	177
22			

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

PROCEEDINGS

JUDGE WALLACE: Pursuant to the direction of the Illinois Commerce Commission, I now call Docket 04-0476. This is the matter of the Illinois Power Company's proposed general increase in rates.

May I have appearances for the record, please?

MR. FITZHENRY: Yes, for Illinois Power Company doing business as AmerenIP, my name is Edward Fitzhenry. My address is 1910 Chouteau Avenue, St. Louis, Missouri 63103.

MR. MacBRIDE: Also appearing on behalf of Illinois Power Company, Owen MacBride, 6600 Sears Tower, Chicago, Illinois 60606.

MR. LAKSHMANAN: Joseph L. Lakshmanan, 2828 North Monroe, Decatur, Illinois 62526, appearing on behalf of Dynegy, Inc.

MR. ROBERTSON: Eric Robertson, Lueders, Robertson and Konzen, P.O. Box 735, 1939 Delmar, Granite City, Illinois 62040, on behalf of the Illinois Industrial Energy Consumers.

1           MR. FEIN: David I. Fein on behalf of  
2           Constellation NewEnergy Gas Division, LLC, 550 West  
3           Washington Boulevard, Suite 300, Chicago, Illinois  
4           60661.

5           MS. VON QUALEN: Janis Von Qualen on behalf of  
6           the Staff of the Illinois Commerce Commission, 527  
7           East Capitol Avenue, Springfield, Illinois 62701.

8           JUDGE WALLACE: All right. Let the record  
9           reflect there are no other appearances at today's  
10          hearing.

11          We have three witnesses scheduled today.  
12          Would those witnesses please stand and raise your  
13          right hands?

14                       (Whereupon the three  
15                       witnesses were duly  
16                       sworn by Judge  
17                       Wallace.)

18          JUDGE WALLACE: Thank you. Mr. Robertson?

19          MR. ROBERTSON: Yes.

20          JUDGE WALLACE: You want to --

21          MR. ROBERTSON: Ms. Althoff is first.

22          MR. MacBRIDE: Judge, at an appropriate time I

1       have got better copies of Mr. Moore's cross  
2       examination exhibit.

3               JUDGE WALLACE:   Okay.   We will do that at some  
4       point.

5               MR. FITZHENRY:   Are we ready to proceed, Your  
6       Honor?

7               JUDGE WALLACE:   Yes.

8                               KAREN R. ALTHOFF

9       called as a Witness on behalf of Illinois Power  
10      Company, having been first duly sworn, was examined  
11      and testified as follows:

12                           DIRECT EXAMINATION

13               BY MR. FITZHENRY:

14               Q.   Good morning.   Would you please state your  
15      name and business address for the record.

16               A.   My name is Karen R. Althoff.   My address is  
17      500 South 27th Street, Decatur, Illinois 62521.   I  
18      am an employee of AmerenIP.

19               Q.   And what is your job title at AmerenIP?

20               A.   Manager of Costing and Pricing.

21               Q.   Ms. Althoff, I show you what's been  
22      previously filed entitled the Prepared Direct

1       Testimony of Karen R. Althoff, Exhibit Number 5.1  
2       consisting of pages 1 through 10, and ask if that  
3       was your prepared direct testimony for submission in  
4       this proceeding?

5             A.    It was.

6             Q.    And attached to your direct testimony are  
7       IP Exhibits Number 5.2 and 5.3, is that correct?

8             A.    That is correct.

9             Q.    And was this testimony and these exhibits  
10      prepared under your direction and supervision?

11            A.    They were.

12            Q.    Do you have any corrections or  
13      modifications to your testimony or the exhibits?

14            A.    I do not.

15            Q.    If I were to ask you the questions as set  
16      forth in IP Exhibit 5.1, would your answers be as  
17      set forth therein?

18            A.    Yes, they would.

19            Q.    I also show you what's been previously  
20      filed, testimony titled the Prepared Supplemental  
21      Direct Testimony of Karen R. Althoff, given the  
22      exhibit designation of IP Exhibit 5.4, and ask



1       whether that is your prepared supplemental direct  
2       testimony for submission in this proceeding?

3             A.   Yes.

4             Q.   And does it consist of two pages?

5             A.   Yes, it does.

6             Q.   And also attached to your prepared  
7       supplemental direct testimony is what's been  
8       designated as IP Exhibit Number 5.5, is that  
9       correct?

10            A.   That's correct.

11            Q.   And again were these testimony and exhibits  
12       prepared by you or under your direction and  
13       supervision?

14            A.   Yes, they were.

15            Q.   Do you have any corrections or changes to  
16       either your testimony or the exhibit?

17            A.   I do not.

18            Q.   And again if I were to ask you the  
19       questions as set forth in your prepared supplemental  
20       direct testimony, would your answers be as set forth  
21       therein?

22            A.   Yes, they would.

1           Q. Now directing your attention to what's been  
2 identified as IP Exhibit Number 5.6 entitled  
3 Prepared Rebuttal Testimony of Karen R. Althoff,  
4 again my question is, is that your prepared rebuttal  
5 testimony for submission in this docket?

6           A. Yes, it is.

7           Q. Does it consist of pages 1 through 22?

8           A. Yes, it does.

9           Q. And with this exhibit do you also include  
10 Exhibits 5.7, 5.8 and 5.9?

11          A. Yes, I do.

12          Q. And were these testimony and exhibits  
13 prepared by you or under your direction and  
14 supervision?

15          A. They were.

16          Q. Do you have any changes or modifications to  
17 the testimony or the exhibits?

18          A. I do not.

19          Q. If I were to ask you the questions as set  
20 forth in IP Exhibit Number 5.6, would your answers  
21 be as set forth therein?

22          A. Yes, they would.

1           Q. Finally, Ms. Althoff, I refer to you what's  
2       been identified as IP Exhibit Number 5.10 entitled  
3       Prepared Surrebuttal Testimony of Karen R. Althoff  
4       and ask if that is intended to be your prepared  
5       surrebuttal testimony for submission in this docket?

6           A. Yes, it does.

7           Q. Does it consist of pages 1 through 17?

8           A. That's correct.

9           Q. And attached to IP Exhibit 5.10 is IP  
10      Exhibit 5.11, is that correct?

11          A. That's correct.

12          Q. And were these exhibits prepared by you or  
13      under your direction and supervision?

14          A. Yes, they were.

15          Q. Do you have any changes or corrections to  
16      either the testimony or the exhibit?

17          A. No, I do not.

18          Q. And if I were to ask you the questions as  
19      set forth in your prefiled surrebuttal testimony,  
20      would your answers be as set forth therein?

21          A. Yes, they would.

22          MR. FITZHENRY: Your Honor, at this time I move

1       for the admission of IP Exhibit Numbers 5.1 through  
2       5.11 and tender Ms. Althoff for cross examination.

3               JUDGE WALLACE:   Are there any objections?   IP  
4       Exhibits 5.1 through and including 5.11 are  
5       admitted.

6                               (Whereupon IP Exhibits  
7                               5.1 through 5.11 were  
8                               admitted into  
9                               evidence.)

10              JUDGE WALLACE:   Does anyone have any cross of  
11     Ms. Althoff?   Mr. Robertson.

12              MR. ROBERTSON:   Thank you, Your Honor.

13                               CROSS EXAMINATION

14              BY MR. ROBERTSON:

15              Q.   Ms. Althoff, my name is Eric Robertson.   I  
16     represent the Illinois Industrial Energy Consumers.  
17     Did the Company file a cost of service study in this  
18     case originally that used the average and excess  
19     demand methodology to allocate transmission and  
20     distribution mains?

21              A.   Yes, it did.

22              Q.   And was the average and excess demand

1 method accepted by the Commission in the last -- the  
2 Company's last gas rate case?

3 A. Yes, it was.

4 Q. Is one of the reasons the Company  
5 originally adopted the A&E method here that the  
6 Company believes the method utilizes non-coincident  
7 peak demand levels considered by the Company in the  
8 design and planning of its transmission and  
9 distribution system?

10 A. That's correct.

11 Q. Does the A&E method also consider the  
12 average use of the customer in -- this question is  
13 not right.

14 MR. MacBRIDE: Ask it anyway.

15 Q. Does the A&E -- that should have been two  
16 questions, thanks. Does the A&E method also  
17 consider the average use of the customer?

18 A. Yes, it does.

19 Q. Is the average use of the customer  
20 considered in the design and planning of the system?

21 A. I really can't answer that question.

22 Q. Has anyone ever suggested to you that it

1 is?

2 A. No.

3 Q. In your rebuttal testimony, IP Exhibit 5.6,  
4 you contend that the average and excess demand  
5 method is more reflective of cost causation than the  
6 average and peak method, is that correct?

7 A. That is correct.

8 Q. I take it you have not changed your opinion  
9 about that?

10 A. That's correct. I have not.

11 Q. It is not your contention, is it, that the  
12 only difference between the average and excess  
13 demand method is that the average -- strike that.  
14 That the only difference between the average and  
15 excess demand method on the one hand and the average  
16 and peak method on the other is that the former,  
17 F-O-R-M-E-R, uses non-coincident peaks and the  
18 latter uses coincident peaks?

19 A. That's one of the differences, but it is  
20 not the only difference.

21 Q. And is it correct that you now agree with  
22 Dr. Rosenberg that there are additional differences

1           and he has accurately described them?

2           A.   He has.

3           Q.   Would you agree or disagree that the size  
4           of the main serving any customer must be large  
5           enough to accommodate the customer's maximum use?

6           A.   That would be one of the criteria.

7           Q.   Well, let me ask something.  You have  
8           testified that you don't know whether average use is  
9           considered in the design of the system.  What other  
10          criteria would be used for the main other than the  
11          customer's maximum use, whenever that occurs?

12          A.   Typically, the design of a main would be  
13          based on the throughput of the customer, so the  
14          total usage plus the pressure at which the customer  
15          is taking service.

16          Q.   Okay.  The physical capacity of the main  
17          and the pressure of the main would have to be such  
18          that they would be able to meet the customer's  
19          maximum demand whenever that occurred?

20          A.   That is true.

21          Q.   So that would make it the primary  
22          consideration, would it not?

1           A. It would make it the primary, but it is not  
2 the only.

3           Q. Now, just for my own edification, the  
4 pressure and the diameter of the main, those two  
5 things produce the ultimate capacity of the main, is  
6 that correct?

7           A. I am not sure.

8           Q. Could you turn to your surrebuttal  
9 testimony, please, IP Exhibit 5.10? And I am  
10 looking at the bottom of page 3 and the top of page  
11 4.

12          A. I have that.

13          Q. Now, is it your testimony in the question  
14 that appears at the bottom of page 3 and the answer  
15 that appears at the top of page 4 that Dr. Rosenberg  
16 has misstated or misunderstood your rebuttal  
17 testimony regarding the most severe weather and its  
18 impact on the design and construction of the IP gas  
19 distribution system?

20          A. That is correct, he has.

21          Q. Now, do you agree or disagree with the  
22 following statement: Illinois Power reserves



1 sufficient capacity and firm supply to service  
2 forecasted loads at weather conditions equivalent to  
3 the coldest day in the last 20 years in each of its  
4 three geographic regions?

5 A. From the supply standpoint, I would agree.  
6 Not a distribution standpoint.

7 Q. Would you agree that there is no point in  
8 reserving this capacity in firm supply if IP does  
9 not have the capacity in its transmission and  
10 distribution system to deliver the gas to the  
11 customer's burnative (sp) on the most severe day?

12 A. You need to repeat that question, please.

13 MR. ROBERTSON: Could you read it back for her,  
14 please?

15 (Whereupon the  
16 requested portion was  
17 then read back by the  
18 Reporter.)

19 A. I have to admit I am not familiar with the  
20 term "burnative".

21 Q. Well, the customer's meter?

22 A. The meter, okay. I am not sure what that

1           answer would be.

2           Q.   So let me ask you, intuitively, based on  
3           your experience in the field, wouldn't it suggest to  
4           you that if the customer buys -- if the Company is  
5           buying "X" units of gas and "X" units of pipeline  
6           capacity and it is doing that so it can serve the  
7           customer's load on the most severe weather day, that  
8           the system would have to be designed to do that?

9           A.   That is true.

10          Q.   Would it be correct to suggest that the  
11          transmission system and the distribution system have  
12          to be designed to accommodate at a minimum the usage  
13          of each class during the most severe weather day?

14          A.   I would have to say no based on the  
15          different planning criteria for T&D versus the  
16          criteria for most severe weather.

17          Q.   I thought -- are you suggesting in your  
18          answer that there are customers whose maximum demand  
19          does not occur on the most severe weather day?

20          A.   That is very true.

21          Q.   Now, if the system for that customer is  
22          designed to meet that demand or that portion of the

1       system that serves him is designed to meet that  
2       demand, would you agree that at a minimum the system  
3       will also accommodate the customer's demand on the  
4       most severe weather day?

5           A.   No, I would not agree.   There is two  
6       separate criteria for most severe weather plus how  
7       the T&D system is used, designed.

8           Q.   So if the -- if the customer's maximum peak  
9       demand occurs in the summer and it is 100 Mcf of gas  
10      and his usage on the most severe weather day, which  
11      obviously won't be as high based on our discussion,  
12      is only 50 Mcf...

13          A.   Uh-huh.

14          Q.   ..the pipe will accommodate that 50 Mcf,  
15      will it not?

16          A.   That's true.

17          Q.   So would you agree with me that at a  
18      minimum the system is designed and will allow the  
19      customer to receive the gas that it needs on the  
20      most severe weather day?

21          A.   I would agree.

22          Q.   Now, IP does plan to meet the requirements

1 of its firm customers for the most severe weather,  
2 isn't that correct?

3 A. That would be correct.

4 Q. Does IP itself calculate the peak day  
5 sendout for each customer class for the most severe  
6 weather?

7 A. Yes, we did.

8 Q. Would you agree that generally the larger  
9 the volume of the customer -- strike that. Would  
10 you agree generally that larger volume customers are  
11 generally served by larger diameter mains?

12 A. I would agree with that.

13 Q. Now, would you turn to your surrebuttal  
14 testimony, please, IP Exhibit 5.10, page 6?

15 A. I have that.

16 Q. Now, if I understand your testimony, there  
17 you are responding to Dr. Rosenberg's observation on  
18 economies of scale resulting from the use of large  
19 diameter mains, is that correct?

20 A. That is correct.

21 Q. Now, looking at the last paragraph on page  
22 6, you are suggesting there that Dr. Rosenberg's

1        comments on economies of scale is really a  
2        generalization only and that economies of scale  
3        would need to be examined taking into account all  
4        material facts and circumstances, is that correct?

5            A.    That is correct.

6            Q.    Are you suggesting here that Dr.  
7        Rosenberg's observation is generally true but there  
8        may be exceptions?

9            A.    That is correct.

10          Q.    Now, in the cost of service testimony that  
11        you have presented in this case, did you  
12        specifically examine in detail economies of scale as  
13        they relate to the allocation of the cost of mains?

14          A.    No.

15          Q.    Now, you do give an example at the bottom  
16        of page 6 and the top of page 7 of your surrebuttal  
17        testimony that large diameter mains that are  
18        typically steel and that are more costly per linear  
19        foot -- strike that. At the bottom of page 5 and 6  
20        you provide an example which suggests that large  
21        diameter mains are typically steel and more costly  
22        per linear foot to serve in comparison to smaller

1 mains, is that correct?

2 A. That is correct.

3 Q. Now, did you have a particular size main in  
4 mind there, 6-inch, 8-inch?

5 A. No, I did not.

6 Q. Would you agree or disagree that an 8-inch  
7 steel main can be about 14.7 times more costly per  
8 foot than a 2-inch main made of plastic?

9 A. Not without checking that, I can't agree.  
10 Can you repeat the question?

11 Q. Yeah, would you -- and I don't know if I  
12 did my math right or not. I was looking at 5.10,  
13 page 9.

14 A. Okay.

15 Q. The 2-inch plastic main -- or I am sorry,  
16 the 8-inch steel main about -- this can't be right.  
17 How many times more expensive is the 8-inch main  
18 than a 2-inch main as shown on Exhibit 5.10, page 9?

19 A. I really don't have that calculation for  
20 that size of a main.

21 Q. Would you accept subject to check that it  
22 is 16 times?

1           A.   What size main was that?

2           Q.   Two-inch versus 8-inch?

3           A.   Subject to check, yes.

4           Q.   Would you agree that the 8-inch main is  
5 four times the diameter of a 2-inch main?

6           A.   I would agree.

7           Q.   Would you agree that the 8-inch main has  
8 greater capacity than the 2-inch main?

9           A.   I would agree.

10          Q.   Would you agree subject to check that the  
11 8-inch main will have about 32 times the capacity of  
12 the 2-inch main?

13          A.   I don't know.   I can't say.

14          Q.   And you are not willing to accept that  
15 subject to check?

16          A.   Well, subject to check I would accept it.  
17 But we still have the pressure concept to factor  
18 into it.

19          Q.   The steel main would have a higher pressure  
20 ordinarily than a plastic one?

21          A.   That would be correct.

22          Q.   And therefore that would increase the

1 capacity of the steel main even larger than I have  
2 calculated, is that correct?

3 A. It could.

4 Q. You state at page 3 of IP Exhibit 5.10 that  
5 you performed an analysis and found similar results  
6 between the average and peak and the average and  
7 excess methods, is that correct?

8 A. That is correct.

9 Q. And it is my understanding that that's the  
10 reason IP decided to accept Mr. Lazare's  
11 recommendation on the use of the average and peak  
12 method, is that correct?

13 MR. FITZHENRY: I object. That misstates her  
14 testimony. Ms. Althoff has given a couple of  
15 reasons why the Company has agreed to accept  
16 Mr. Lazare's cost of service allocation.

17 Q. Is that one of the reasons?

18 A. It would be one of the reasons.

19 Q. Would you identify for me the other reasons  
20 you have identified in your testimony for accepting  
21 Mr. Lazare's position on the use of the A&P method?

22 A. Basically, it was because of the recent



1 cases before the Commission and the approval of the  
2 A&P method.

3 Q. Now, at the time you filed your direct  
4 testimony and during preparation of your direct  
5 testimony in this case, you were aware, were you  
6 not, that the Commission had approved the A&P method  
7 in other cases?

8 A. Yes, I was.

9 Q. And at the time you prepared your direct  
10 that didn't cause you to recommend the use of the  
11 A&P method, did it?

12 A. No, it did not.

13 Q. So really isn't it true to say that the  
14 only reason that you have for adopting Mr. Lazare's  
15 recommendation here is that you believe the results  
16 are approximately the same?

17 A. That is correct.

18 Q. Now, would you take a look at the chart on  
19 page 3 of your surrebuttal testimony, IP Exhibit  
20 5.10?

21 A. On page 3?

22 Q. Yes.

1           A.    I have that.

2           Q.    Let me get there.  Now, that's where you  
3   purport to show that the A&P method and the average  
4   and excess method produce similar results?

5           A.    That is correct.

6           Q.    Would you agree subject to check that the  
7   A&E method allocates 3.5 percent more of  
8   transmission mains to SC 51 customers than the A&P  
9   method based on your chart?

10          A.    Subject to check, yes.

11          Q.    Would you agree that the A&E method  
12   allocates about 1.8 percent more of mains,  
13   distribution mains, to SC 51 customers than the A&P  
14   method?

15          A.    Subject to check that looks reasonable.

16          Q.    Now looking at SC 76, would you agree that  
17   the average and peak method allocates almost 20  
18   percent more transmission mains to this class than  
19   the average and excess method?

20          A.    I would have to verify that percentage.

21          Q.    Would you be willing to accept subject to  
22   check?

1           A.   Subject to check, yes.

2           Q.   And similarly does the average and peak  
3 method allocate over 20 percent more distribution  
4 mains to the SC 76 class than the average and excess  
5 method?

6           A.   Again I would have to verify that  
7 percentage, but subject to check, yes.

8           Q.   Now, do you believe that rates should be  
9 based on cost of service?

10          A.   I do.

11          Q.   One second if I may, I think I am just  
12 about done.

13                   (Pause.)

14           I just want to make one thing clear and I  
15 may have misspoke, since the witness has accepted  
16 subject to check the calculation. As shown on IP  
17 Exhibit 5.10, page 9, a plastic main was two inches  
18 and the cost per linear foot is \$3.74 and the steel  
19 main is eight inches and its cost is \$59.45 per  
20 linear foot, and I was interested in the witness  
21 having to accept subject to check that the steel  
22 main is approximately 16 times more expensive than

1       the 2-inch plastic main on a linear foot basis, and  
2       you are willing to do that?

3             A.   Subject to check, correct.

4             MR. ROBERTSON:   Thank you.   I have nothing  
5       further.

6             JUDGE WALLACE:   Any redirect?

7             MR. FITZHENRY:   Could I have a few minutes?

8             JUDGE WALLACE:   Okay.

9                     (Whereupon the hearing  
10                    was in a short recess.)

11            JUDGE WALLACE:   Back on the record.   Redirect?

12            MR. FITZHENRY:   Yes, Your Honor, just some  
13       brief redirect.

14                               REDIRECT EXAMINATION

15            BY MR. FITZHENRY:

16            Q.   Ms. Althoff, Mr. Robertson asked you a  
17       number of questions regarding IP's planning for a  
18       design day.   Do you remember those questions?

19            A.   Yes.

20            Q.   What exactly do you mean when you talk  
21       about the Company planning for a design day?

22            A.   The Company has a certain set of criteria

1           that it uses to plan for design day, the T&D system.

2           Q.   The transmission and distribution mains?

3           A.   Right.

4           Q.   He also asked you some questions relating  
5           to designing the system based on the most severe  
6           weather. Do you remember those questions?

7           A.   Right, I do.

8           Q.   And is that a criteria that is different  
9           from using a design day for designing the  
10          transmission and distribution mains?

11          A.   Yes, it is.

12          Q.   Can you explain in more detail what it is  
13          about the most severe weather that influences the  
14          Company's system planning?

15          A.   The most severe weather is used to design  
16          the underground storage fields so adequate supply is  
17          available for our customers. I have another set of  
18          temperature criteria than the design day that's used  
19          for the T&D. The temperature for the most severe is  
20          used for the supply, the more colder temperature.

21          MR. FITZHENRY: Thank you. That's all the  
22          questions I have.

1 JUDGE WALLACE: Any recross?

2 MR. ROBERTSON: Yes.

3

4 RECROSS EXAMINATION

5 BY MR. ROBERTSON:

6 Q. In your cost of service study did you use  
7 the design day or weather normalized demands?

8 A. We used weather normalized load.

9 MR. ROBERTSON: Thank you.

10 EXAMINATION

11 BY JUDGE WALLACE:

12 Q. Ms. Althoff, Mr. Lazare took issue with  
13 your model and you took issue with his taking issue  
14 with your model. From your point -- from your  
15 rebuttal testimony you make the statement that Staff  
16 could have gotten the model or Staff could have  
17 gotten the transparent model by signing the  
18 confidentiality agreement earlier?

19 A. That is correct.

20 Q. And Staff has signed these things before in  
21 other cases?

22 A. That is correct, they have.

1           Q.   And you don't agree with Mr. Lazare that IP  
2           should move towards having a more transparent cost  
3           of service model?

4           A.   No, I don't.

5           Q.   And if IIEC -- I do not know if  
6           Mr. Robertson requested the same, but if IIEC as an  
7           intervenor signs a confidentiality agreement, do  
8           they get the transparent model?

9           A.   Yes, they would.

10          Q.   And the same for CUB or the Attorney  
11          General?

12          A.   Right, correct.

13          Q.   And have you ever requested from Staff  
14          their model at all?

15          A.   Their model was supplied to us via their  
16          workpapers.

17          Q.   Do you recall if IP has used a  
18          non-copyrighted or non-protected model at all?

19          A.   I know in the last two DST cases plus even  
20          the last gas case they were copyrighted. Beyond  
21          that I do not know.

22          JUDGE WALLACE:   Okay.   Thank you.   I have no

1 further questions. You may step down.

2 (Witness excused.)

3 JUDGE WALLACE: Mr. Robertson?

4 MR. ROBERTSON: Yes, sir.

5 JUDGE WALLACE: Do you wish to present any  
6 witnesses?

7 MR. ROBERTSON: Well, I don't know if wish is  
8 the right word. Have to is probably better. I am  
9 prepared to do that, Your Honor. I call Dr. Alan  
10 Rosenberg.

11 DR. ALAN ROSENBERG  
12 called as a Witness on behalf of the Illinois  
13 Industrial Energy Consumers, having been first duly  
14 sworn, was examined and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. ROBERTSON:

17 Q. Dr. Rosenberg, would you identify yourself  
18 for the record, please.

19 A. My name is Alan Rosenberg. I am employed  
20 by Brubaker and Associates, and my business address  
21 is 1215 Fern Ridge Parkway, Suite 208, St. Louis,  
22 Missouri 63141.



1           Q.   And on whose behalf are you appearing in  
2   this case?

3           A.   I am appearing on behalf of the IIEC.

4           Q.   And I show you now what has previously been  
5   marked as IIEC Exhibit Number 2, the direct  
6   testimony and schedules of Dr. Alan Rosenberg on  
7   behalf of the Illinois Industrial Energy Consumers.  
8   Do you have that document?

9           A.   I have that document, yes.

10          Q.   Do you have any additions or corrections or  
11   modifications?

12          A.   No, sir.

13          Q.   Was the document prepared under your  
14   supervision and at your direction?

15          A.   Yes, it was.

16          Q.   Do you have any -- I am sorry, if I were to  
17   ask you the questions contained therein, would your  
18   answers be the same as contained therein?

19          A.   Yes, they would.

20          Q.   Does the document consist of 17 pages of  
21   testimony and Appendix A and exhibit -- or Schedules  
22   1 and 2?

1           A.   That is correct.

2           Q.   And were Schedules 1 and 2 prepared under  
3 your supervision and direction?

4           A.   Yes, they were.

5           Q.   Is the information contained therein true  
6 and correct to the best of your information and  
7 belief?

8           A.   To the best of my belief and understanding,  
9 yes.

10          Q.   And is the same true of Appendix A?

11          A.   Yes.

12          Q.   All right.  I show you now what has been  
13 marked as IIEC Exhibit Number 2 -- sorry, 2.1, IIEC  
14 Exhibit 2.1, which is marked as the rebuttal  
15 testimony and schedules of Dr. Alan Rosenberg on  
16 behalf of the Illinois Industrial Energy Consumers.  
17 Do you have that document?

18          A.   Yes, I do.

19          Q.   Do you have any additions or corrections or  
20 modifications to that document?

21          A.   No, sir.

22          Q.   All right.  And does the document consist

1 of 16 pages of questions and answers and four  
2 schedules?

3 A. And four schedules?

4 Q. Yes.

5 A. Yes.

6 Q. And was the document prepared under your  
7 supervision and at your direction?

8 A. Yes, it was.

9 Q. Is the information contained therein true  
10 and correct to the best of your information and  
11 belief?

12 A. Yes, sir.

13 MR. ROBERTSON: I would move the admission of  
14 IIEC Exhibit 2 and IIEC Exhibit 2.1 and tender the  
15 witness for cross examination.

16 JUDGE WALLACE: Any objection? IIEC Exhibits 2  
17 and 2.1 are admitted.

18 (Whereupon IIEC  
19 Exhibits 2 and 2.1 were  
20 admitted into  
21 evidence.)

22 JUDGE WALLACE: Did you have an extra copy of

1           2.1? Thank you. Cross?

2           MR. MacBRIDE: Yes, sir.

3           JUDGE WALLACE: Mr. MacBride.

4

5                           CROSS EXAMINATION

6           BY MR. MacBRIDE:

7           Q. Good morning, Mr. Rosenberg.

8           A. Good morning, Mr. MacBride.

9           Q. There are four IIEC companies in this case,  
10 correct?

11          A. I honestly don't recall. I would say that  
12 sounds about right, but at this point as I sit here  
13 I can't verify it with certainty.

14          Q. Do you know if one of the IIEC companies in  
15 this case is the SC 90 customer?

16          A. My understanding is that the SC 90 customer  
17 also takes service under different classifications.  
18 As you know, SC 90 is contract service so its rates  
19 are really not -- nobody has proposed to change  
20 those rates. But my understanding is that that same  
21 corporate entity also takes service from IP under  
22 other service classifications which obviously are

1           impacted by this proceeding.

2           Q.   Right, fair enough.   My question simply is,  
3           is one of the IIEC companies the SC 90 customer?

4           A.   To the best of my knowledge and belief,  
5           yes, sir.

6           Q.   And you have indicated that with respect to  
7           its SC 90 service, that customer is not subject to a  
8           rate increase as a result of this proceeding,  
9           correct?

10          A.   That's my understanding.

11          Q.   And is it your understanding that to  
12          qualify for a contract under SC 90, a customer has  
13          to be located in proximity to an interstate pipeline  
14          and have the ability to bypass IP's transmission  
15          system and connect directly to the pipeline?

16          A.   To tell you the truth, I haven't looked at  
17          the SC 90 tariff but I am generally aware that that  
18          is usually the basis for what's called the bypass  
19          avoidance tariff.   So it certainly sounds reasonable  
20          to me although I haven't examined the SC 90 tariff  
21          in my preparation.

22          Q.   You indicated this customer takes service

1 under other service classifications. Do you know if  
2 the customer takes service under SC 76?

3 A. I believe they do.

4 Q. And do you know if the other IIEC companies  
5 in this case also take service primarily on SC 76?

6 A. I believe they do.

7 Q. And so all -- to the best of your knowledge  
8 all of the IIEC companies in this case purchase and  
9 transport their own gas, correct?

10 A. You know, some corporate entities have  
11 multiple counts so it is certainly possible that  
12 there could be others that take it on different  
13 service classifications. But certainly in my  
14 discussions with them, the SC 76, the transportation  
15 was foremost in their concerns about the filing,  
16 yes.

17 Q. And by them you mean your clients in this  
18 case?

19 A. That is correct.

20 Q. And would you say that SC 76 was foremost  
21 in their concerns because that is the primary tariff  
22 they used to access their gas supply?

1           A.   Yes, sir.

2           Q.   Now, in your direct testimony you have some  
3 analyses based on the ten largest volume customers  
4 on the high pressure transmission system of IP, is  
5 that correct?

6           A.   That is correct.

7           Q.   And do you know if -- do you know if all of  
8 the IIEC companies that have intervened in this case  
9 are among those ten largest customers?

10          A.   No, I do not. I did not attempt to make  
11 any correlation between the IIEC members and these  
12 ten largest customers. The point of looking at the  
13 ten largest customers to me was simply a sort of, if  
14 you will, a sanity check to see whether the  
15 allocation method produced reasonable results.

16          Q.   Whether you attempted to make a specific  
17 correlation or not, do you know -- do you know if  
18 any of the IIEC companies in this case are the  
19 largest?

20          A.   I do know that the largest customer on the  
21 system is the SC 90 customer, and as we have already  
22 ascertained, the SC 90 customer is.

1 Q. One of the Intervenors?

2 A. Yes.

3 Q. Same question with respect to the analyses  
4 in your testimony about the ten largest customers  
5 served by IP off the low pressure distribution  
6 system.

7 A. My answer would be the same.

8 Q. Now, would you look at your direct  
9 testimony, page 5 of your direct testimony?

10 A. Yes, I have that.

11 Q. Lines 9 to 19 you are discussing your  
12 analysis relating to the ten largest customers  
13 served off the high pressure system. And on line 15  
14 you cite a figure of \$9.45 per foot?

15 A. Right.

16 Q. Which you used to calculate the cost of  
17 facilities that are actually used to serve these  
18 customers, is that correct?

19 A. That's correct.

20 Q. And is \$9.45 per foot the actual unit cost  
21 of the 12-inch diameter pipe that has been installed  
22 to serve these ten customers?



1           A. Yes, the 9.45 was derived by taking the  
2 book cost of \$6.5 million for the 12-inch high  
3 pressure main and dividing it by the feet of main,  
4 688,115 feet. The result was 9.45.

5           Q. The 9.45 is the unit cost per foot of all  
6 of the 12-inch main in the entire IP system,  
7 correct?

8           A. That's correct.

9           Q. Is 9.45 the actual cost of the specific  
10 facilities installed to serve these ten customers?

11          A. When you -- I don't think IP keeps records  
12 of specific facilities.

13          Q. That's not my question. Do you know if  
14 9.45 is the specific cost, that is the actual cost,  
15 of the specific facilities used to serve these  
16 customers, these ten customers?

17          A. Well, I guess I am asking you, sir, to  
18 define what you mean by actual cost. I mean, this  
19 is the book cost. The figure is an average cost.  
20 The figure is an average cost which includes average  
21 depreciation. So, you know, I don't -- obviously,  
22 by the derivation of it, it is an average figure. I

1       don't even know if you could ascertain the actual  
2       cost of serving a specific customer because it may  
3       not -- I am not aware of LDCs that keep records in  
4       that manner.

5             Q.   So is your answer to my question, no, this  
6       is not the cost of the specific facilities  
7       installed?

8             A.   It pertains to the entirety.  So in that  
9       case it is not specific to a single customer.

10            Q.   Right.  Just to clarify one thing you just  
11       said perhaps inadvertently, you talked about average  
12       depreciation, but isn't your figure of 9.45 the  
13       gross plant cost as opposed to the net book cost?

14            A.   Yes, you are right.

15            Q.   Moving farther along in -- I am sorry.  On  
16       page 5 and 6 in that same answer, going over to page  
17       6, line 4, here you are talking about, I guess,  
18       customers two through ten in terms of the ten  
19       largest customers and you indicate on a direct  
20       assignment basis these customers are served by mains  
21       that cost only \$2.1 million.  Do you see that?  Can  
22       you state the calculation that produces the \$2.1

1 million?

2 A. Can I state the calculation?

3 Q. Yes. I assume it is some amount of linear  
4 feet times a cost per foot?

5 A. Exactly.

6 Q. What are the numbers?

7 A. It might be in my workpapers what the  
8 figure was. But it -- I don't have the workpaper in  
9 front of me, Mr. MacBride, but I could tell you the  
10 methodology was I took the book cost by diameter. I  
11 divided it by the number of feet, and that was  
12 supplied, I believe, in IIEC Question 33, to get a  
13 cost per linear foot for each diameter. I then  
14 multiplied each -- the number of feet for serving  
15 these customers by that average cost and then summed  
16 them up. That was the methodology that I did.

17 Q. To get to this \$2.1 million figure do you  
18 know if you used the same \$9.45 per linear foot  
19 system wide cost?

20 A. Well, the 9.45 was specific to a 12-inch  
21 diameter. My recollection is that the other nine  
22 customers were served by different diameters. So I

1       had to take -- I mean, some were served by 8-inch,  
2       some were served by 6-inch. So if I had so much  
3       12-inch, I would multiply by the 9.45. If I had so  
4       much 8-inch, I would multiply it by whatever the  
5       average cost, the average book cost, of the 8-inch  
6       was. If there was so much 6-inch main, I multiplied  
7       that by the average cost of the 6-inch main.

8           Q. So is it fair to say you identified the  
9       average pipe sizes used to serve these nine  
10      customers and you calculated a system-wide average  
11      cost per linear foot for each of those pipe sizes.  
12      Then you applied that system-wide average linear  
13      cost per foot to the actual lengths that are used to  
14      serve these customers?

15           A. I would say yes with one caveat, the caveat  
16      being you said I identified. I didn't identify the  
17      linear foot for these customers. That came off of a  
18      data response from IP. But with that understanding  
19      my answer is yes.

20           Q. All right. And you have indicated that on  
21      page 5, line 14, your source of this length and cost  
22      data was IP's response to Data Request IIEC 1-34,

1 correct?

2 A. Right, 34, that's the high pressure main,  
3 yes.

4 (Whereupon IP Cross  
5 Exhibit 2 was marked  
6 for purposes of  
7 identification as of  
8 this date.)

9 Q. Doctor, let me show you a document which  
10 has been marked for identification as IP Cross  
11 Exhibit Number 2 and ask you is this a copy of a  
12 data request response that you have used as the data  
13 source of the calculations we have been discussing?

14 A. For the high pressure main, that is  
15 correct.

16 Q. And on the second page of this response it  
17 does indicate that the cost data used was the gross  
18 plant balance, not the net plant balance?

19 A. Which I agreed to, yes.

20 Q. Now, on page 6 of your direct testimony, in  
21 the next answer you describe a similar analysis to  
22 the one we have just been discussing which you

1 performed for the largest customers served on the  
2 distribution system, correct?

3 A. That is correct.

4 Q. All right. And you have indicated that the  
5 data necessary to do this analysis was only  
6 available for six of the ten largest low pressure  
7 customers, correct?

8 A. That is correct.

9 Q. And you state on line 14 and 15 that you  
10 estimate these customers are directly responsible  
11 for at most \$51,000 in low pressure main, is that  
12 correct?

13 A. That is correct.

14 Q. And if I were to ask you to explain how you  
15 arrived at that figure, would your explanation be  
16 essentially the same as your explanation for the  
17 \$2.1 million figure on line 4?

18 A. That is correct. I actually have that  
19 workpaper in front of me. I actually priced it out  
20 in both steel and in plastic because I didn't know  
21 -- the data response from IP did not specify which  
22 material was used for this main serving these

1 customers. By the way, the customers are numbers 1,  
2 2, 4, 5, 6 and 9. Those were the customers. So I  
3 priced it out using both materials, and with the  
4 steel it came out to \$37,000 and with plastic it  
5 came out to almost 51,000. So I used the higher  
6 figure, 51,000.

7 Q. And would it be correct to say that again  
8 this calculation used system-wide average linear  
9 costs per foot calculated for the various pipe sizes  
10 of these customers?

11 A. That's the only information that was  
12 available to me, yes, which, of course, is the  
13 same -- the same basis that's in the cost of service  
14 study. The cost of service study allocates  
15 system-wide costs to all of the customer classes.  
16 So it is consistent with how the cost of service  
17 study is performed.

18 MR. MacBRIDE: Move to strike Dr. Rosenberg's  
19 last remark. No question was pending.

20 JUDGE WALLACE: The last portion is stricken.

21 Q. Doctor, do you know what the typical life  
22 of the high pressure pipe is?

1           A. I would imagine 30 to 40 years.

2           Q. And so it is likely that some of Illinois  
3 Power's high pressure pipe is 30 or more years old?

4           A. I'm sorry?

5           Q. It is likely that some of Illinois Power's  
6 installed high pressure pipe is 30 or more years  
7 old, is that correct?

8           A. It is certainly possible, yes.

9           Q. And some of Illinois Power's high pressure  
10 pipe may have been installed earlier this year,  
11 right?

12          A. Yes. You have all varying vintages, I am  
13 sure.

14          Q. Would you expect the installed cost of the  
15 high pressure pipe that it installed in 2003 or 2004  
16 to be considerably higher than the installed cost of  
17 high pressure pipe that was installed 30 years ago?

18          A. The actual book cost, yes.

19          Q. By the way, to the best of your knowledge  
20 the costs you were supplied and used in your  
21 calculations include both labor and material costs,  
22 is that correct?



1           A.    Yes.

2           Q.    Labor and installation costs?

3           A.    Yes.   And actually when I actually summed  
4           it up, Mr. MacBride, the information that was given  
5           to me on the two exhibits that you passed out, there  
6           was actually some of these gross plant balances and  
7           they were very, very close to the figures that were  
8           used in the cost of service study for the total  
9           gross plant which, of course, lent confidence to the  
10          fact that I was using the right numbers.

11          MR. MacBRIDE:   That may be interesting but I  
12          move to strike that as well.

13          JUDGE WALLACE:   Actually, I think he was trying  
14          to respond to your question so I will leave that in.

15          Q.    Would you agree that the cost figures you  
16          reported, the so-called direct assignment costs for  
17          the SC 90 customers, the other high pressure  
18          customers and the low pressure customers, do not  
19          represent what it would cost to install facilities  
20          to date to serve each of these customers?

21          A.    I would agree but I would also agree it is  
22          irrelevant.   That's not the purpose of my analysis.

1       The purpose of my analysis is to compare this direct  
2       assignment with the allocation in the cost of  
3       service study. The cost of service study, the  
4       allocation in the cost of service study does not use  
5       replacement costs, Mr. MacBride. As I said before,  
6       it uses the same figures that I used for the direct  
7       assignment. So it is an apples to apples  
8       comparison.

9               MR. MacBRIDE: I move to strike everything  
10       after "I would agree."

11              JUDGE WALLACE: Everything after "I agree" is  
12       stricken.

13              Q. Would you look at page 2 of your direct,  
14       please?

15              A. Page 2 of my direct?

16              Q. Yes. One moment. I am sorry, I meant page  
17       5 of your direct.

18              A. Page 5 of my direct?

19              Q. Yes.

20              A. I have that.

21              Q. At line 11 you say Rate 90 is allocated  
22       6.37 percent by the Company's calculation of the AED

1 method, do you see that?

2 A. That's correct.

3 Q. Does the 6.37 percent appear on one of  
4 Ms. Althoff's exhibits or is that a number you  
5 calculated or derived?

6 A. I believe it is the 6.37 percent was  
7 derived from my examination of the Company's  
8 original cost of service study, just taking the SC  
9 90 allocator and dividing it by the total. I  
10 noticed that on Exhibit 5.10 Ms. Althoff has 6.42  
11 percent. And as I sit here right now, I can't  
12 explain why my 6.37 percent doesn't match up with  
13 the 6.42 percent. With rounding it is the same, but  
14 I don't know whether she changed her allocators.  
15 But I came up with 6.37 percent when I did my  
16 arithmetic. Ms. Althoff is coming up with 6.42  
17 percent but it is really immaterial which one,  
18 whether it is 6.37 or 6.42.

19 Q. To answer my question, you basically  
20 derived that from your analysis of the original cost  
21 of service study?

22 A. My recollection, I derived it. But it is

1 possible it was given in fractional form in the cost  
2 of service study. I just honestly can't recall as I  
3 sit here whether I derived it or whether I took it.

4 Q. You are looking at IP Exhibit 5.10, page 3,  
5 correct?

6 A. I am looking at Exhibit 5.10, page 3, yes,  
7 sir.

8 Q. And you have identified, you know, what you  
9 just --

10 A. The 6.42.

11 Q. Identified a very minor difference between  
12 the 6.37?

13 A. Correct.

14 Q. Let me ask you more generally, do you have  
15 any material disagreement with the calculations  
16 Ms. Althoff has presented on this page?

17 A. I have no basis to disagree with her.

18 Q. So as far as you know this accurately  
19 represents the allocation under the two methods?

20 A. I haven't checked the numbers, but I have  
21 no reason to disagree.

22 Q. And Ms. Althoff's presentation here on

1 Exhibit 5.10, page 3, indicates that the use of the  
2 A&P method in this case allocates slightly less  
3 transmission cost and slightly less distribution  
4 costs to the SC 90 customer than would the A&E  
5 method, correct?

6 A. Is that a question?

7 Q. Yes.

8 A. Could you repeat the question, please?

9 Q. Yes. The figures Ms. Althoff has presented  
10 on page 3 of IP Exhibit 5.10 indicates that the use  
11 of the A&P method in this case allocates slightly  
12 less transmission and distribution plant to the SC  
13 90 customer than would the use of the A&E method?

14 A. Yes, that is correct.

15 MR. ROBERTSON: Excuse me. Excuse me, if I  
16 may, the SC, that's the SC 90 class. That's not the  
17 SC 90 customer. So I think I object to the form of  
18 the question as being not consistent with the  
19 testimony in this case.

20 Q. Right. Well, with Mr. Robertson's  
21 modification do you still agree?

22 A. With Mr. Robertson's modification, yes, the

1 SC 90 class, it is correct that the A&P method  
2 allocates slightly less main to the SC 90 class than  
3 the A&E method. And the reason is, is that for that  
4 particular class, the SC 90 class, the coincident  
5 peak of that class happens to be significantly less  
6 than the non-coincident peak for that class. So  
7 because the A&P method only uses the coincidence  
8 where the A&E uses the non-coincident peak, it  
9 resulted with the numbers that Ms. Althoff has  
10 shown. It just happens to be a little nuance for  
11 the SC 90 class that caused this to work out that  
12 way. Normally it wouldn't work out that way.

13 Q. So far as you know there is only one  
14 customer in the SC 90 class, correct?

15 A. As far as I know, yes.

16 JUDGE WALLACE: Just out of curiosity, is that  
17 confidential information?

18 MR. MacBRIDE: Who it is, yes.

19 MR. FITZHENRY: No.

20 MR. MacBRIDE: No, I don't think so. I mean, I  
21 generally try and avoid asking the IIEC witnesses  
22 specific questions about their specific customers by

1 name.

2 JUDGE WALLACE: That's fine. I just wondered  
3 if it was confidential.

4

5 BY MR. MacBRIDE:

6 Q. Referring to page 8 of your direct  
7 testimony, you discuss here a refinement you made to  
8 the Company's original cost of service study  
9 presentation in this case, correct?

10 A. Correct.

11 Q. And the Company's original presentation  
12 used the A&E method, correct?

13 A. The Company's original presentation used  
14 the average and excess demand method, that's  
15 correct.

16 Q. My question is, is the refinement you  
17 describe here still applicable if the Commission  
18 were to adopt the A&P method in this case?

19 A. If the peaks were -- to be honest, I didn't  
20 look at the calculations of the A&P method because I  
21 am not supporting the A&P method. So let me answer  
22 it in a generic sense, okay. If the coincident

1 peaks that were used in the A&P method were based on  
2 normalized weather, then my criticism would be  
3 equally applicable to the A&P method. If the  
4 coincident peaks used in the A&P method were based  
5 on a design day, then it is acceptable. So I think  
6 that's the most complete answer I could give to that  
7 question.

8 Q. Now, your discussion at page 8 of your  
9 direct refers to Schedule 2 attached to your direct  
10 testimony, is that correct?

11 A. Page 8, I am looking at page 8. I am  
12 referring to Schedule 1.

13 Q. Let's just look at Schedule 2.

14 A. Schedule 2 is referred to on page 9.

15 Q. All right. Here on Schedule 2 you show a  
16 comparison of the allocation of the rate increase  
17 under the Company's original proposal and the IIEC  
18 proposal, is that correct?

19 A. That's correct.

20 Q. And this analysis is performed using the  
21 Company's original overall rate increase request in  
22 this case of approximately \$39.7 million, correct?



1           A. That is correct.

2           Q. And your schedule here shows that under  
3 your proposed allocation the residential customers  
4 would get the same percentage increase as under IP's  
5 proposed allocation, correct?

6           A. It happened to work out that way. It  
7 wasn't design. It was just how the numbers fell  
8 out.

9           Q. And additionally the interim volume  
10 commercial customers and the seasonal commercial  
11 customers would get essentially the same percentage  
12 increase under your approach as under Illinois  
13 Power's approach, correct?

14          A. Very similar, yes.

15          Q. And under your approach the small  
16 commercial customers would get a slightly higher  
17 percentage increase than under IP's approach,  
18 correct?

19          A. Correct, 41.7 versus 40.

20          Q. Now, under your approach the SC 76 class  
21 would get a 6.9 percent increase versus 18.2 percent  
22 under IP's approach, correct?

1           A.   That is correct.

2           Q.   And under your approach the SC 65 class  
3 would get a 45.3 percent increase as opposed to a  
4 30.2 percent increase under IP's approach, correct?

5           A.   That is correct.   And the reason is that I  
6 treated the SC 65 class and the SC 76 class  
7 separately, each standing on its own, whereas my  
8 understanding is that the Company combined the two  
9 classes for purposes of its allocation.

10          Q.   Is it fair to say that, looking at all of  
11 the classes here on the schedule, that the main  
12 impact of using your approach versus the Company's  
13 approach is to shift cost allocation from the SC 76  
14 class to the SC 65 class?

15          A.   I am looking at Schedule 1.   I don't  
16 believe that's a correct characterization because if  
17 I look at Schedule 1, Column 1, which is the  
18 Company's study, versus Schedule 3 which is the  
19 study that I had proposed, I see that the rate of  
20 return index for SC 65 goes from 91 under the  
21 Company's study to 94 under my study.   So my study  
22 based on Schedule 1 actually allocates less cost to

1       the SC 65 class than does the Company study. So it  
2       allocates less cost to the SC 65 class as well as  
3       less cost to the SC 76 class. The reason for the  
4       difference on Schedule 2 was not due to the cost of  
5       service study. It was due to the fact that I  
6       adhered to the cost of service study that I had  
7       proposed, whereas the Company deviated from the cost  
8       of service study that it had put in. That's the  
9       reason. So, therefore, I guess that's a long way of  
10      saying I disagree. I have to say no to your last  
11      question.

12           Q. Well, Schedule 2 shows that all of the  
13      other classes other than the 65 and the 76 class are  
14      essentially unaffected in terms of the rate increase  
15      they would be allocated under either of the two  
16      methods, correct, as I think we discussed earlier?

17           A. But there are two separate pieces.

18           Q. Is the answer to my question yes or no?

19           A. Under the revenue allocation they are very  
20      close, yes.

21           Q. Thank you. By the way, do you know, are  
22      all SC 65 customers served from the high pressure

1 mains?

2 A. I wouldn't think so. I think some are  
3 served from low pressure. My recollection is that  
4 the SC 65 tariff has separate charges on both high  
5 pressure and low pressure, so I have to assume that  
6 there are some low pressure as well.

7 Q. Now, would you look at Schedule 3 to your  
8 rebuttal testimony? And this schedule is also  
9 prepared using the Company's originally filed rate  
10 increase amount on a total company basis of about  
11 \$39.7 million?

12 A. That's correct.

13 Q. And just for clarification, can you explain  
14 what the difference is between the analysis on  
15 Schedule 3 to your rebuttal and Schedule 2 to your  
16 direct testimony?

17 A. At this time I have to say subject to check  
18 that the only thing I can think of is that the  
19 Company had revised a study. In other words, there  
20 was some revisions to the Company's study and it is  
21 possible that when I prepared Schedule 3, we used  
22 the revised study, whereas on my direct testimony I

1       was using the original study. That's the only thing  
2       I can think of.

3               JUDGE WALLACE: Let's go off the record.

4                       (Whereupon the hearing  
5                       was in a short recess.)

6               JUDGE WALLACE: Back on the record.

7               MR. MacBRIDE: While you were gone  
8       Mr. Fitzhenry handed me ten more questions he had.

9               MR. FITZHENRY: I did not.

10              MR. ROBERTSON: You are already over your 15  
11       minutes over your time limit anyway.

12              BY MR. MacBRIDE: That was my estimate for my  
13       questions, not his answers.

14              Q. Dr. Rosenberg, is it your understanding  
15       that the Company has not employed a, what I will  
16       call, a pure application of the A&P method in its  
17       revised cost of service study in this case?

18              A. I believe it modified it somewhat, yes.

19              Q. And if you know, which method would  
20       allocate more T&D main costs to the SC 76 customers,  
21       the, what I will call, the pure A&P method or the  
22       A&P method with the Company's modifications in this

1 case?

2 A. I don't know.

3 Q. You didn't look at that?

4 A. I am sorry?

5 Q. You didn't look at that?

6 A. I didn't look at that.

7 Q. Just a couple questions about storage,  
8 doctor. Did you provide any proposed tariff  
9 language for your proposed storage service for SC 76  
10 customers?

11 A. No, I did not.

12 Q. Under your storage proposal, on a day on  
13 which an SC 76 customer who had elected to use the  
14 storage service used more gas than the customer had  
15 nominated, would the customer storage account be  
16 charged for the difference?

17 A. The customer storage account would be  
18 charged for the difference, yes.

19 Q. And that would be true regardless of the  
20 amount of the imbalance, I guess, up to whatever is  
21 in the storage?

22 A. Yes, that's correct, that's right.

1           Q.   So in effect on those days the customer  
2           would be withdrawing from its storage account,  
3           correct?

4           A.   By accounting purposes, yes, even though  
5           physically it may not be. Physically it might be  
6           depending on diversity. It might be depending on  
7           line pack. But just for purposes of accounting,  
8           yes, it would be deemed taking down the storage  
9           grounds or adding to it, as the case may be.

10          Q.   The last area I want to ask you about is  
11          page 13 of your direct testimony.

12          A.   I have that.

13          Q.   All right. Just so there is no confusion  
14          here, you are describing how your storage proposal  
15          would work and starting on line 7 you say -- well,  
16          back up. On line 5 you say the customer would be  
17          allowed to charge a -- excuse me, to choose a BMQ of  
18          up to its MDQ, correct?

19          A.   That's correct.

20          Q.   So let's assume that hypothetical customer  
21          does in fact do that?

22          A.   Uh-huh.

1           Q. Then on line 7 you say the customer would  
2 be allowed to nominate up to a maximum of 150  
3 percent of its MDQ plus 50 percent of its BMQ  
4 without penalty, okay. Now, that says to me that in  
5 effect the customer would be allowed to nominate 200  
6 percent of its MDQ, is that correct?

7           A. That is correct.

8           Q. So what you are saying there is the  
9 customer -- by nominating you are referring to the  
10 amount of gas the customer says that it is going to  
11 bring into the IP system on a given day?

12          A. That is correct.

13          Q. So this customer would be allowed to -- not  
14 to -- say I am going to bring in 200 percent of my  
15 MDQ into the IP system on December 10, whatever it  
16 is?

17          A. That is correct.

18          Q. Then you say the customer would be able to  
19 use at the meter up to 120 percent of its nomination  
20 so that's basically 240 percent of its MDQ, correct?  
21 Its nomination was two times its MDQ?

22          A. Well, for purposes of imbalance the answer



1 is yes. But for purposes of actually using it, it  
2 would be impossible. Because if you actually used  
3 240 percent of your MDQ, you would be subject to  
4 excess MDQ charges. In other words, the MDQ is what  
5 you are contracting with IP for capacity to your  
6 plant. The BMQ is not a substitute for that  
7 capacity. It is just a way of bringing in more gas  
8 that you didn't bring in yourself. So when you say  
9 that 240 percent, you are correct on a mathematical  
10 basis, but as a practical matter it wouldn't happen  
11 because the customer would be exposed to MDQ  
12 penalties.

13 Q. Okay. Well, I take it under your proposal  
14 it would continue to be the case that Illinois Power  
15 would not be obligated to deliver more than the  
16 customer's MDQ to the customer's meter?

17 A. Whatever -- I am not proposing any change  
18 in the amount that Illinois Power has to bring to  
19 the customer's meter. And the MDQ is the amount  
20 that Illinois Power is obligated to bring to the  
21 meter and I am proposing no change in that.

22 Q. All right. Well, then I am confused with

1       your sentence on lines 8 and 9 that says the  
2       customer would be able to use at the meter up to 120  
3       percent of its nomination plus 75 percent of the BMQ  
4       without consequences.

5           A.   I am glad you asked that question.   What I  
6       was envisioning here is let's say a customer has an  
7       MDQ of 10,000 but he doesn't plan on using 10,000 so  
8       he nominates 4,000, okay.   So he would be able to  
9       take 150 percent of the 4,000, okay, plus 75 percent  
10      of his BMQ.   So let's say his BMQ was 2,000.   That  
11      would be -- that would be 1500.   So 150 percent of  
12      4,000 is 6,000.   75 percent of the 2,000 is 1500.  
13      So he would be able to use 7500 at his meter which  
14      is below his MDQ of 10,000.   That's the situation  
15      that I am talking about here.

16          Q.   In the explanation or the illustration you  
17      just gave, you assumed that the customer had  
18      specified a BMQ substantially below its MDQ,  
19      correct?   I think you said 10,000 MDQ and 2,000 BMQ?

20          A.   Right.   In no instance does this proposal  
21      allow the customer -- in no instance does this  
22      proposal obligate the Company to deliver more gas

1       than its MDQ. I mean, if it can, I suppose, there  
2       are instances where I am sure the Company does  
3       deliver more than the customer's MDQ. And if it has  
4       the capacity and obviously if there are cost  
5       consequences in the tariff, those cost consequences  
6       would still apply. This is simply a way that the  
7       customer can use a no notice gas service, no notice  
8       storage service, to supplement whatever it is  
9       bringing in from the pipeline. That's the whole  
10      intent of this proposal.

11           MR. MacBRIDE: Thank you. We have no further  
12      questions.

13           JUDGE WALLACE: Any redirect?

14           MR. ROBERTSON: Could we have a couple minutes?

15           JUDGE WALLACE: Yes.

16                   (Whereupon there was  
17                   then had an  
18                   off-the-record  
19                   discussion.)

20           JUDGE WALLACE: Let's go back on the record. A  
21      bit of housekeeping, we will put in Constellation's.

22           MR. FEIN: Yeah, this is marked Constellation

1 NewEnergy Gas Exhibit Number 4 which is the  
2 affidavit, and prefiled direct testimony of Juliana  
3 Claussen marked Exhibit 1, prepared direct testimony  
4 of Troy Monroe marked Exhibit 2, and then a joint  
5 rebuttal testimony of Ms. Claussen and Mr. Monroe  
6 marked as Exhibit 3.

7 JUDGE WALLACE: Did you call them CNE or --

8 MR. FEIN: Yeah, CNE-Gas Exhibit 1, 2, 3 and 4.  
9 And the affidavit was filed via e-Docket yesterday  
10 and served on the parties.

11 JUDGE WALLACE: And 1, 2 and 3, they were filed  
12 on e-Docket and there are no changes?

13 MR. FEIN: That is correct.

14 JUDGE WALLACE: Was there any objection?

15 MR. MacBRIDE: No.

16 JUDGE WALLACE: Constellation NewEnergy Gas  
17 Exhibits 1, 2, 3 and 4 are admitted.

18 MR. FEIN: Thank you, Your Honor.

19 (Whereupon CNE-Gas  
20 Exhibits 1, 2, 3 and 4  
21 were admitted into  
22 evidence.)

1           MR. MacBRIDE: Since we are keeping house here,  
2 could I tender copies of Mr. Moore's exhibit?

3           JUDGE WALLACE: Yes. Yeah, he called me this  
4 morning to say the reason they were scrunched was it  
5 was a larger spreadsheet or something.

6           Also we will mark as BEAR Cross Exhibit  
7 Number 1 -- there is no objection to entering BEAR  
8 Cross Exhibit Number 1 into the record and also BEAR  
9 witness Smith and her prefiled testimony will be  
10 admitted into the record as Bear Exhibit -- I had  
11 them yesterday and now I don't have them today. Is  
12 it LS-1? Anybody off hand remember?

13          MR. MacBRIDE: Well, on his prefiled he called  
14 it BEAR Exhibit 1.

15          JUDGE WALLACE: For the record BEAR Exhibit 1  
16 is admitted and BEAR Cross Exhibit 1 is admitted.

17                   (Whereupon BEAR Exhibit  
18                   1 and BEAR Cross  
19                   Exhibit 1 was admitted  
20                   into evidence.)

21          MR. MacBRIDE: Then he had BEAR Exhibit 2, Ms.  
22 Smith's rebuttal testimony.

1 JUDGE WALLACE: And Ms. Smith's rebuttal  
2 testimony BEAR 2 is admitted.

3 (Whereupon BEAR Exhibit  
4 2 was admitted into  
5 evidence.)

6 MS. VON QUALEN: I would like to move for the  
7 admission of Mr. Lounsberry's rebuttal testimony,  
8 revised rebuttal testimony of Eric Lounsberry, ICC  
9 Staff Exhibit 17.0R.

10 JUDGE WALLACE: Okay. 17.0R, the revised  
11 rebuttal testimony of Eric Lounsberry, is admitted.  
12 It was identified yesterday.

13 (Whereupon ICC Staff  
14 Exhibit 17.0R was  
15 admitted into  
16 evidence.)

17 MS. VON QUALEN: I also have the testimony of  
18 Charlie Iannello which I would like to move for  
19 admission if this is an appropriate time. We would  
20 be filing his affidavit electronically this  
21 afternoon supporting his testimony. I move for the  
22 admission of the direct testimony of Charles C.S.

1 Iannello, ICC Staff Exhibit 8.0, and I also move the  
2 admission of the rebuttal testimony of Charles C.S.  
3 Iannello, ICC Staff Exhibit 18.0.

4 JUDGE WALLACE: Okay. And there is no  
5 objection; those were part of an overall agreement  
6 to waive cross and agree to introduce the testimony  
7 via affidavit. So ICC Staff Exhibits 8.0 and 18.0  
8 are admitted.

9 (Whereupon ICC Staff  
10 Exhibits 8.0 and 18.0  
11 were admitted into  
12 evidence.)

13 mS. VON QUALEN: Actually, Judge, they were not  
14 part of the overall agreement.

15 JUDGE WALLACE: Oh, they weren't?

16 MS. VON QUALEN: No, but I don't believe there  
17 is any objection to his testimony.

18 MR. MacBRIDE: Right, there is no objection and  
19 we indicated we have no cross for Mr. Iannello.

20 JUDGE WALLACE: All right. While you were out  
21 of the room, we admitted Constellation NewEnergy's  
22 and BEAR's exhibits.

1 MS. VON QUALEN: That's fine.

2 (Whereupon the hearing  
3 was in a short recess.)

4 JUDGE WALLACE: Back on the record. Any  
5 redirect?

6 MR. ROBERTSON: Yes, sir.

7 REDIRECT EXAMINATION

8 BY MR. ROBERTSON:

9 Q. Dr. Rosenberg, Mr. MacBride asked you a  
10 series of questions about your proposal for storage  
11 service and the limitations for MDQ and BMQ that you  
12 identified in your testimony. Do you remember those  
13 questions?

14 A. Yes, I do.

15 Q. And in a portion of your response you  
16 indicated that the customer -- for accounting  
17 purposes the customer would be withdrawing from  
18 storage. What did you mean by that?

19 A. I meant that to keep track of how much the  
20 customer's storage balance is, we would make those  
21 accounting adjustments. But then I believe I  
22 indicated to Mr. MacBride that that doesn't mean the



1 customer is physically using the storage system,  
2 because as IP pointed out in its last case, it can  
3 accommodate imbalances to transportation customers  
4 via line pack, via diversity, via tolerances that  
5 the pipeline extends, thinks like that.

6 Q. Okay. Now, also Mr. MacBride asked you a  
7 series of questions which referenced the fact that  
8 the costs that you used for mains in your  
9 calculations did not represent the current cost of  
10 installation today. Do you believe that that was  
11 relevant to your analysis?

12 A. No. I wanted to make an apples to apples  
13 comparison between the allocation method that you  
14 get by using, let's see, the average and excess  
15 method or the average and peak method with what you  
16 would get by direct assignment method. Because the  
17 allocation method uses average costs and not  
18 replacement costs, I obviously used average costs  
19 and not replacement costs on the direct assignment  
20 method. If I didn't, you wouldn't have an apples to  
21 apples comparison.

22 Q. And lastly, Dr. Rosenberg, Mr. MacBride

1       also asked you whether or not you had looked at the  
2       differences in allocation between the A&P method as  
3       adjusted by IP and the results of the A&E method,  
4       and you answered you had not looked at that, is that  
5       correct?

6             A.   I have not looked at the specific numbers,  
7       no, sir.

8             Q.   Do you have any feeling for what  
9       differences there might be?

10            A.   Yes.   In Ms. Althoff's Exhibit 5.10 on page  
11       3 she says that the Company decided to accept  
12       Mr. Lazare's A&P method, A&P recommendation, with  
13       the exception of correcting the peak demand  
14       components of the A&P method for SC 66.   Now, if you  
15       look at the table that she has on page 3, you see  
16       that SC 76 -- SC 66, I am sorry, SC66 represents  
17       approximately one and a half percent of the  
18       transmission system and a half a percent of the  
19       distribution system.   So making that change to just  
20       SC 66, making that modification, would have very  
21       little impact obviously on any other class.

22            MR. ROBERTSON:   I have no further questions.

1 JUDGE WALLACE: Recross?

2 RECROSS EXAMINATION

3 BY MR. MacBRIDE:

4 Q. Would you look at your rebuttal, page 12,

5 Dr. Rosenberg?

6 A. I have that.

7 Q. And looking at line 1, would you agree that

8 you there state, "I was merely trying to illustrate

9 that the A&E method necessarily over-allocates costs

10 to large customers relative to what it would cost to

11 build a system to serve them directly," is that

12 correct? Is that what your testimony states?

13 A. You read it correctly but you have to

14 understand --

15 Q. Excuse me, no, is that what your testimony

16 states?

17 A. That's what it says.

18 MR. MacBRIDE: No further questions.

19 JUDGE WALLACE: All right. Thank you, Dr.

20 Rosenberg. You may step down.

21 (Witness excused.)

22 Is everyone agreeable to moving on,

1 finishing up Mr. Mallinckrodt?

2 MR. MacBRIDE: I think we have the only  
3 questions.

4 JUDGE WALLACE: Pardon me?

5 MR. MacBRIDE: I don't have many questions to  
6 ask Mr. Mallinckrodt.

7 Oh, I offer IP Cross Exhibit 2 into  
8 evidence which was a copy of the response to Data  
9 Request 1-34.

10 JUDGE WALLACE: IP Cross Exhibit 2, any  
11 objection? That is admitted.

12 (Whereupon IP Cross  
13 Exhibit 2 was admitted  
14 into evidence.)

15 JUDGE WALLACE: Mr. Robertson, while you were  
16 out of the room we admitted Constellation NewEnergy  
17 exhibits, BEAR exhibits, and Charlie Iannello from  
18 Staff exhibits.

19 MR. ROBERTSON: All right.

20 JUDGE WALLACE: On the assumption that you  
21 didn't have any --

22 MR. ROBERTSON: I have no objection, you were

1 correct.

2 JUDGE WALLACE: Go ahead.

3 MR. ROBERTSON: If I may, the witness is going  
4 to have a couple of corrections. I had him pen and  
5 ink the corrections on hard copies. I can give  
6 those to the reporter or we can post corrected  
7 versions on the e-Docket.

8 JUDGE WALLACE: Okay. Why don't you go ahead  
9 and mention the corrections and post them later?

10 MR. FITZHENRY: All right. They are shown on  
11 the copy that you have. I call Mr. John  
12 Mallinckrodt.

13 JOHN MALLINCKRODT  
14 called as a Witness on behalf of the Illinois  
15 Industrial Energy Consumers, having been first duly  
16 sworn, was examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. ROBERTSON:

19 Q. Mr. Mallinckrodt, would you identify  
20 yourself for the record, please.

21 A. John W. Mallinckrodt. I am employed by  
22 Brubaker and Associates, and my address is 723

1 Gardner Road, Flossmoor, Illinois 60422, and I am  
2 representing IIEC.

3 Q. And I show you now what has been marked as  
4 IIEC Exhibit 1 which is the direct testimony and  
5 schedules of John W. Mallinckrodt on behalf of the  
6 Illinois Industrial Energy Consumers consisting of  
7 18 pages of questions and answers, Appendix A and  
8 Schedules 1 through 3. Do you have a copy of that  
9 document?

10 A. Yes, I do.

11 Q. Do you have any corrections or  
12 modifications to that document?

13 A. On page 8 of Exhibit 1, line 22, there was  
14 a word that just was out of place. It should read,  
15 "IP's gas storage, and, if so, how such storage  
16 costs should be allocated." So I just moved the  
17 word "should" beyond "costs" there.

18 Q. All right.

19 A. That's the only correction there.

20 Q. All right. And I show you -- with that  
21 correction is the information contained in IIEC  
22 Exhibit 1 true and correct to the best of your

1 information and belief?

2 A. Yes, it is.

3 Q. And if you were asked the questions  
4 contained therein today, would your answers be the  
5 same as contained therein?

6 A. Yes, they would.

7 Q. I show you now what has been marked as IIEC  
8 Exhibit 1.1, the rebuttal testimony of John W.  
9 Mallinckrodt on behalf of the Illinois Industrial  
10 Energy Consumers, and do you have that document  
11 before you?

12 A. Yes, I do.

13 Q. Do you have any changes or modifications to  
14 that document?

15 A. There is one minor change on page 8, line  
16 8. I would strike the word "by" and would say,  
17 "through just an IP filing with the Commission."  
18 There were extra words in there.

19 Q. Any other corrections?

20 A. No.

21 Q. All right. As modified or corrected if I  
22 were to ask you the questions contained in IIEC 1.1

1           today, would your answers be the same as contained  
2           therein?

3           A.   Yes, they would.

4           Q.   And was the document prepared under your  
5           supervision and at your direction?

6           A.   Yes.

7           MR. ROBERTSON:   I would move for the admission  
8           of IIEC Exhibit 1 and IIEC Exhibit 1.1 and tender  
9           the witness for cross examination.

10          JUDGE WALLACE:   Any objection?

11          MR. MacBRIDE:   No, sir.

12          JUDGE WALLACE:   IIEC Exhibits 1 and 1.1 are  
13          admitted.

14                           (Whereupon IIEC  
15                           Exhibits 1 and 1.1 were  
16                           admitted into  
17                           evidence.)

18          JUDGE WALLACE:   Mr. Macbride?

19          MR. MacBRIDE:   Yes.

20                           CROSS EXAMINATION

21          BY MR. MacBRIDE:

22          Q.   Good day, Mr. Mallinckrodt.   I have a few



1        questions for you on behalf of the Company.  Would  
2        you agree that there are four IIEC companies that  
3        have intervened in this case?

4            A.  I believe that's the number.

5            Q.  And these are all -- these four companies  
6        are all large manufacturing companies in the state  
7        of Illinois, is that correct?

8            A.  They have facilities in the state of  
9        Illinois, yes.

10          Q.  But they are large -- they are large  
11        manufacturing companies?

12          A.  Yes.

13          Q.  Do these four companies as a general matter  
14        purchase their gas requirements from third-party  
15        suppliers and use IP's transportation services to  
16        transport the gas to their facilities?

17          A.  I believe so.

18          Q.  And one of these customers has a Service  
19        Classification 90 contract with Illinois Power, is  
20        that correct?

21          A.  I believe that is correct.

22          Q.  All right.  Is it your understanding that

1       the other IIEC customers in this case take  
2       transportation service on Service Classification 76?

3           A. I believe they do. The question, you know,  
4       like I think was stated by Mr. Rosenberg, they  
5       probably have other classifications also for smaller  
6       accounts that may even be purchase accounts for an  
7       office or something like that. I am not aware of  
8       that. But that's -- for the most part 76 is their  
9       primary classification.

10          Q. Do you know if any of these companies  
11       utilize Illinois Power's Rider OT in conjunction  
12       with a firm supply tariff?

13          A. I don't believe they do but, you know, I  
14       can't be certain of that.

15          Q. Would it be correct to say that the gas  
16       requirements of these four companies are driven  
17       primarily by the requirements of their manufacturing  
18       processes?

19          A. Yes.

20          Q. As opposed to being driven by  
21       temperature-sensitive space heating requirements?

22          A. Yes, I think I agree with that.

1           Q.   Would these four customers be considered  
2           sophisticated purchasers of natural gas?

3           A.   They are large purchasers so hopefully I  
4           guess you could consider them sophisticated.

5           Q.   Do you know if these four customers  
6           generally make their own daily nominations on the  
7           interstate pipeline than with Illinois Power?

8           A.   I don't know whether they do individual --  
9           make their own.

10          Q.   As opposed to having a marketer in the  
11          region do it for them?

12          A.   Right.

13          Q.   Now, if you would look at your rebuttal  
14          testimony on page 7, you have listed here in  
15          bulletpoint format six provisions that must be  
16          adopted in IP's tariffs in order to make daily  
17          balancing for Service Classification 76 reasonable  
18          and acceptable, is that correct?

19          A.   Yes.

20          Q.   And the first of your points is that the  
21          imbalance tiers must be zero percent to plus or  
22          minus 20 percent and above plus or minus 20 percent,

1 correct?

2 A. Yes.

3 Q. And Illinois Power has revised its daily  
4 balancing proposal for SC 76 to set the imbalance  
5 tiers at zero percent to plus or minus 20 percent  
6 and above plus or minus 20 percent, correct?

7 A. That's my understanding.

8 Q. Your second provision is that no daily  
9 cashouts occur for daily imbalances within the zero  
10 percent to 20 percent deadband, correct?

11 A. Yes.

12 Q. And Illinois Power has revised its original  
13 proposal to provide that no daily cashouts occur for  
14 daily imbalances within the zero to 20 percent  
15 deadband?

16 A. That's my understanding.

17 Q. So, in other words, the SC 76  
18 transportation customer's actual usage would have to  
19 be more than 20 percent greater than his nomination  
20 for the day before the customer would incur a daily  
21 imbalance charge, correct?

22 A. Yes.

1           Q. Or alternatively the customer's actual  
2           usage would have to be more than 20 percent below  
3           the customer's nomination for the day before the  
4           customer would incur a daily imbalance charge,  
5           correct?

6           A. That's my understanding.

7           Q. Is your understanding that under IP's  
8           proposed 76, SC 76, the transportation customer is  
9           not required to give Illinois Power its final  
10          nomination for the day until noon of the preceding  
11          business day?

12          A. I haven't looked at the schedules  
13          specifically. I don't deal with that every day. So  
14          subject to check I guess I would agree that's  
15          probably true.

16          Q. Okay. Now, under IP's proposal the daily  
17          imbalances within the 20 percent deadband will be  
18          carried forward during the month and at the end of  
19          the month the aggregate or net of these imbalances  
20          will be cashed out pursuant to the monthly cashout  
21          schedule, is that correct?

22          A. You are saying that within the 20 percent?

1 Q. Yes.

2 A. Yes.

3 Q. So if the transportation customer has daily  
4 under deliveries within the 20 percent deadband  
5 earlier in the month, the customer has the  
6 opportunity to offset those with over-deliveries  
7 later in the month, correct?

8 A. That's correct.

9 Q. So that at the end of the month there  
10 potentially could be no cashout payment?

11 A. That's true.

12 Q. By the way, an over-delivery means that the  
13 customer used more gas during the day than the  
14 customer had nominated, correct?

15 A. Yeah, I guess, you know, there is different  
16 terminology that people use as to how they treat  
17 that, but I guess I would agree with you.

18 Q. Now, your third provision that you list on  
19 page 7 of your rebuttal is the daily imbalances  
20 greater than plus or minus 20 percent should be  
21 cashed out at the imbalance penalty provisions of 90  
22 percent and 110 percent, correct?

1           A.    Yes.

2           Q.    And Illinois Power has incorporated this  
3 provision into its revised proposal, correct?

4           A.    That is my understanding.

5           Q.    And specifically this means that for an  
6 over-delivery of more than 20 percent in a day, IP  
7 will pay the customer 90 percent of the adjusted  
8 Chicago City Gate price, correct?

9           A.    Yes.

10          Q.    And for an under-delivery of more than 20  
11 percent in a day, the customer will pay IP 110  
12 percent of the adjusted Chicago City Gate price,  
13 correct?

14          A.    Yes, for any purchases from IP.

15          Q.    And those payment provisions only apply to  
16 the portion of the under-delivery or the  
17 over-delivery in excess of 20 percent, correct?

18          A.    Yes.

19          Q.    Now, your fourth provision on page 7 is  
20 that IP must provide additional metering equipment  
21 and daily usage information, correct?

22          A.    Yes.

1           Q.   And in the rebuttal and surrebuttal  
2           testimonies of Mr. Jones and Ms. Althoff IP has  
3           agreed to provide or to offer this additional  
4           metering equipment and daily usage information,  
5           correct?

6           A.   That's correct.

7           Q.   Your fifth provision on page 7 of your  
8           rebuttal is that IP must implement a group balancing  
9           tariff that will allow suppliers or agents  
10          representing multiple transportation customers to  
11          group together customer accounts for the purpose of  
12          nominating gas, managing storage banks and balancing  
13          deliveries with usage, correct?

14          A.   Yes, that's right.

15          Q.   And IP has now indicated that it will  
16          provide a group balancing tariff, correct?

17          A.   Yes.

18          Q.   So under the group balancing tariff the  
19          daily imbalances of the entire group would be what  
20          would be looked at to determine if there is a daily  
21          cashout payment, correct?

22          A.   That is correct.



1           Q.   So, for example, if one customer in the  
2           group had a 50 percent over-delivery and another had  
3           a 50 percent under-delivery, those would be netted  
4           against each other, correct?

5           A.   That's my understanding.

6           Q.   With the possibly then -- strike that. The  
7           entire group would have to have an over-delivery or  
8           an under-delivery in the aggregate greater than plus  
9           or minus 20 percent before a daily cashout payment  
10          was required by the group, correct?

11          A.   Yes.

12          Q.   Your sixth provision on page 7 of your  
13          rebuttal testimony is that IP should not make any  
14          changes in its current balancing provision until the  
15          new computer system is available and IP can provide  
16          the other five provisions in its tariff, correct?

17          A.   Yes.

18          Q.   And by your reference to until its new  
19          computer system is available, you are referring to  
20          Illinois Power being migrated onto the same customer  
21          information and billing system that the other Ameren  
22          utilities use?

1           A.    Yes.

2           Q.    And Illinois Power has indicated in Company  
3           witness Ms. Anderson's rebuttal testimony that it  
4           will not implement the group balancing tariff until  
5           IP has been migrated to the Ameren customer service  
6           system, correct?

7           A.    That's my understanding.

8           Q.    And IP has also stated in Ms. Anderson's  
9           testimony that the new daily imbalance and daily  
10          cashout provisions will not be implemented until the  
11          group balancing tariff is in effect, correct?

12          A.    That's my understanding also.

13          MR. MacBRIDE:   Thank you.   That's all the  
14          questions we have.

15          JUDGE WALLACE:   Any recross -- or redirect?

16          MR. ROBERTSON:   No questions.

17          JUDGE WALLACE:   Thank you, Mr. Mallinckrodt.  
18          You may step down.

19                               (Witness excused.)

20          JUDGE WALLACE:   I believe that is the end of  
21          our witnesses.

22          MR. MacBRIDE:   Yes, our live witnesses.

1           JUDGE WALLACE: Our live witnesses. And now we  
2 will have some dead ones.

3           MR. MacBRIDE: Truer than you think.

4           JUDGE WALLACE: I will put on the record before  
5 I forget again, the briefing schedule is  
6 simultaneous initial briefs February 10 and then  
7 simultaneous reply briefs February 23. I believe  
8 those are the two dates that parties thought they  
9 could live with and still give the ALJ time to write  
10 up an order.

11           Okay. And then we have a few IP exhibits  
12 to --

13           MR. MacBRIDE: Yes, I would like to identify  
14 and offer the exhibits of the Illinois Power  
15 witnesses who are not required to appear for cross  
16 examination. All of these exhibits, with the  
17 exception of these witnesses' affidavits, have been  
18 previously filed on e-Docket. I supplied the  
19 affidavits for the record at yesterday's hearing.  
20 And all of the exhibits, including the revised  
21 exhibits and the affidavits, were served on the  
22 parties by e-mail earlier this week.

1           I will first identify the testimony and  
2       exhibits of Frank Starbody consisting of direct  
3       testimony identified as IP Exhibit 1.1 Revised; IP  
4       Exhibit 1.2; IP Exhibit 1.3, Mr. Starbody's  
5       supplemental direct testimony; and IP Exhibit 1.4,  
6       Mr. Starbody's affidavit.

7           Next, testimony and exhibits sponsored by  
8       Peggy Carter consists of direct testimony, IP  
9       Exhibit 2.1; exhibits to the direct testimony, IP  
10      Exhibit 2.2 Revised and 2.3 through and including  
11      2.32; supplemental direct testimony of Ms. Carter,  
12      IP Exhibit 2.33.

13           JUDGE WALLACE:   Okay.   You said from 2.3 to  
14      2.32?

15           MR. MacBRIDE:    Are Ms. Carter's direct  
16      exhibits.

17           JUDGE WALLACE:   All right.   Go ahead.

18           MR. MacBRIDE:    Off the record.

19                               (Whereupon there was  
20                               then had an  
21                               off-the-record  
22                               discussion.)

1           MR. MacBRIDE: Ms. Carter's supplemental direct  
2 testimony was IP Exhibit 2.33 with an exhibit, IP  
3 Exhibit 2.34. Ms. Carter's rebuttal testimony is IP  
4 Exhibit 2.35 Revised, and exhibits to her rebuttal  
5 testimony are IP Exhibits 2.36 through 2.51 and 2.52  
6 Revised.

7           Next, Ms. Carter has supplemental testimony  
8 which was the subject of the motion which you ruled  
9 on yesterday, Judge. Her supplemental testimony was  
10 IP Exhibit 2.53 Revised and exhibits to that  
11 testimony, IP Exhibits 2.54 Revised, 2.55 Revised  
12 and 2.56 Revised; and Ms. Carter's surrebuttal  
13 testimony is IP Exhibit 2.57 and her surrebuttal  
14 exhibits, IP Exhibits 2.58 through 2.68, and  
15 Ms. Carter's affidavit is IP Exhibit 2.69.

16           JUDGE WALLACE: This Carter is really busy.

17           MR. MacBRIDE: Next, the exhibits sponsored by  
18 Daniel L. Mortland, M-O-R-T-L-A-N-D, direct  
19 testimony, IP Exhibit 3.1 and exhibits thereto, IP  
20 Exhibits 3.2 through 3.7; rebuttal testimony, IP  
21 Exhibit 3.8 and exhibits thereto, IP Exhibits 3.9  
22 through 3.12; supplemental testimony of

1 Mr. Mortland, IP Exhibit 3.13 and exhibits thereto,  
2 IP Exhibits 3.14 through 3.16; surrebuttal testimony  
3 of Mr. Mortland, IP Exhibit 3.17 and exhibits  
4 thereto, IP Exhibits 3.18 through 3.22.

5 Mr. Mortland's affidavit is IP Exhibit 3.23.

6 Next, exhibits sponsored by Kathleen  
7 McShane, M-C-S-H-A-N-E, direct testimony, IP  
8 Exhibit 4.1 and exhibits thereto, IP Exhibits 4.2  
9 and 4.3; rebuttal testimony, IP Exhibit 4.4 and IP  
10 Exhibit 4.5; surrebuttal testimony of Ms. McShane,  
11 IP Exhibit 4.6. Ms. McShane's affidavit is IP  
12 Exhibit 4.7.

13 Next, exhibits sponsored by Ronald Pate.  
14 This is direct testimony only. His direct testimony  
15 is marked as IP Exhibit 6.1 Revised and his exhibits  
16 are IP Exhibit 6.2 Revised, 6.3, 6.4, 6.5, 6.6  
17 Revised, 6.7 and 6.8. Mr. Pate's affidavit is IP  
18 Exhibit 6.9.

19 Next, exhibits sponsored by Patricia  
20 Spinner, direct testimony, IP Exhibit 9.1 and  
21 exhibits to her direct testimony, IP Exhibits 9.2,  
22 9.3 Revised and 9.4. Ms. Spinner's affidavit is

1           marked as IP Exhibit 9.5.

2                       Next, exhibits sponsored by Michael Adams.

3           His direct testimony is identified as IP Exhibit

4           10.1. Exhibits to his direct testimony are IP

5           Exhibits 10.2 through 10.7. Mr. Adams's rebuttal

6           testimony is IP Exhibit 10.8 Revised with an

7           exhibit, IP Exhibit 10.9. And Mr. Adams's

8           surrebuttal is IP Exhibit 10.10 with an exhibit, IP

9           Exhibit 10.11, and Mr. Adams's affidavit is IP

10          Exhibit 10.12.

11                     Next, exhibits sponsored by Ronald White.

12          This is direct testimony only. His direct testimony

13          is IP Exhibit 11.1 with exhibits thereto, IP

14          Exhibits 11.2 and 11.3. Mr. White's affidavit is IP

15          Exhibit 11.4.

16                     Next, exhibits sponsored by Gene Eagle,

17          E-A-G-L-E, beginning with rebuttal testimony

18          identified as IP Exhibit 12.1, exhibits to that

19          testimony, IP exhibits 12.2.

20                     JUDGE WALLACE: I am sorry, back up.

21                     MR. MacBRIDE: Mr. Eagle had no direct

22          testimony. Rebuttal testimony was IP Exhibit 12.1;

1 and exhibits with his rebuttal testimony are IP  
2 Exhibits 12.2 through 12.5. Mr. Eagle's surrebuttal  
3 testimony is IP Exhibit 12.6 and exhibits to his  
4 surrebuttal testimony are IP Exhibits 12.7 through  
5 12.10. Mr. Eagle's affidavit is IP Exhibit 12.11.

6 Next, exhibits sponsored by Kevin Shipp.  
7 Mr. Shipp had rebuttal testimony identified as IP  
8 Exhibit 13.1 Revised. That was submitted in both  
9 public and proprietary format or versions. Exhibits  
10 to his rebuttal testimony, IP Exhibit 13.2 which has  
11 both public and proprietary versions; IP Exhibit  
12 13.3, has public and proprietary versions; IP  
13 Exhibit 13.4, has public and proprietary versions;  
14 IP Exhibit 13.5, has public and proprietary  
15 versions; IP Exhibit 13.6, has public and  
16 proprietary versions; IP Exhibit 13.7, has public  
17 and proprietary versions; and IP Exhibit 13.8 has  
18 public and proprietary versions. Mr. Shipp's  
19 surrebuttal testimony is IP Exhibit 13.9 which has  
20 public and proprietary versions -- I am sorry, IP  
21 Exhibit 13.9 Revised, if I didn't say that. It is  
22 13.9 Revised. And exhibits to his surrebuttal



1 testimony are IP Exhibits 13.10 and 13.11, each of  
2 which has public and proprietary versions; and  
3 Mr. Shipp's affidavit is IP Exhibit 13.12.

4 Next, exhibits sponsored by Wayne Hood and  
5 Curtis Kemppainen, K-E-M-P-P-A-I-N-E-N. They had  
6 rebuttal testimony identified as IP Exhibit 14.1  
7 Revised which has public and proprietary versions  
8 and an exhibit to that testimony, IP Exhibit 14.2,  
9 which has public and proprietary versions. They  
10 also have surrebuttal testimony, IP Exhibit 14.3,  
11 and an exhibit, IP Exhibit 14.4. Both of those are  
12 public only. And their affidavit or  
13 Mr. Kemppainen's affidavit is IP Exhibit 14.5 and  
14 Mr. Hood's affidavit is IP Exhibit 14.6.

15 Next, exhibits sponsored by Chris Olsen,  
16 O-L-S-E-N, consisting of rebuttal testimony, IP  
17 Exhibit 15.1, and exhibits thereto, IP Exhibits 15.2  
18 and 15.3; and surrebuttal testimony, IP Exhibit  
19 15.4; and Mr. Olsen's affidavit is IP Exhibit 15.5.

20 Next, exhibits sponsored by Timothy Hower,  
21 H-O-W-E-R, consisting of rebuttal testimony, IP  
22 Exhibit 17.1; exhibits to that testimony, IP

1 exhibits 17.2 through 17.5; and surrebuttal  
2 testimony identified as IP Exhibit 17.6. And I  
3 would note that Mr. Hower's surrebuttal testimony  
4 when it was originally filed and distributed was  
5 incorrectly marked as IP Exhibit 17.5. There was  
6 already an Exhibit 17.5 so we have refiled it on  
7 e-Docket as IP Exhibit 17.6. That's his surrebuttal  
8 testimony. Mr. Hower's affidavit is IP Exhibit  
9 17.7.

10 Next, exhibits sponsored by Charles Mannix,  
11 M-A-N-N-I-X, consisting of supplemental testimony,  
12 IP Exhibit 18.1; exhibits to that testimony, IP  
13 Exhibits 18.2 through 18.4; and an affidavit which  
14 is IP Exhibit 18.5.

15 Next, exhibits sponsored by Robert Porter,  
16 consisting of supplemental testimony, IP Exhibit  
17 19.1 and an exhibit to that testimony, IP Exhibit  
18 19.2, which has both public and proprietary  
19 versions; and Mr. Porter's affidavit is IP Exhibit  
20 19.3.

21 And, finally, testimony of Lee Nickloy,  
22 N-I-C-K-L-O-Y, this was surrebuttal testimony

1 identified as IP Exhibit 20.1, and Mr. Nickloy's  
2 affidavit is IP Exhibit 20.2. We would offer all  
3 those exhibits into evidence.

4 JUDGE WALLACE: Is there any objection?

5 MR. MacBRIDE: With respect to Mr. Shipp's  
6 exhibits, if I misspoke earlier, IP Exhibit 13.5 was  
7 revised. So the exhibit we are offering is  
8 identified as IP Exhibit 13.5. That is one of the  
9 exhibits to Mr. Shipp's rebuttal testimony.

10 JUDGE WALLACE: All right. Hearing no  
11 objection and not to belabor everyone, the IP  
12 exhibits just read by Mr. MacBride are admitted into  
13 the record.

14 (Whereupon IP Exhibits  
15 1.1 Rev., 1.2 through  
16 1.4, 2.1, 2.2 Rev., 2.3  
17 through 2.34, 2.35  
18 Rev., 2.36 through  
19 2.51, 2.52 Rev., 2.57  
20 through 2.69, 3.1  
21 through 3.23, 4.1  
22 through 4.7, 6.1 Rev.,

1                   6.2 Rev., 6.4, 6.5, 6.6  
2                   Rev., 6.7, 6.8, 6.9,  
3                   9.1, 9.2, 9.3 Rev.,  
4                   9.4, 9.5, 10.1 through  
5                   10.7, 10.8 Rev., 10.9  
6                   through 10.12, 11.1  
7                   through 11.4, 12.1  
8                   through 12.11, 13.1  
9                   Rev., 13.2, through  
10                  13.12, 14.1 Rev., 14.2  
11                  through 14.6, 15.1  
12                  through 15.5, 17.1  
13                  through 17.7, 18.1  
14                  through 18.5, 19.1,  
15                  19.2, 19.3, 20.1, 20.2  
16                  were admitted into  
17                  evidence.)

18                JUDGE WALLACE: Does anyone have anything  
19                further? Okay, then. Off the record.  
20                        (Whereupon there was  
21                        then had an  
22                        off-the-record

1 discussion.)

2 JUDGE WALLACE: We have the briefing schedule  
3 in place. It is quite possible that there will be a  
4 need for a post-record data request in this matter.  
5 So I will leave the record open at this point and  
6 mark it heard and taken after the briefs and any  
7 possible request comes in. We generally are  
8 adjourned. Thank you very much.

9 (Whereupon the hearing  
10 was continued  
11 generally.)

12

13

14

15

16

17

18

19

20

21

22